

KIENA GOLD MINES LIMITED



**ANNUAL REPORT
1975**

KIENA GOLD MINES LIMITED

Executive Office

P.O. Box 40
Commerce Court West
Toronto, Ontario M5L 1B4

Officers

J. R. SMITH
President
G. P. MITCHELL
Vice-President
W. R. ROBERTSON
Secretary
J. D. KRANE
Treasurer
J. F. GILLIES
Controller

Directors

*P.-E. AUGER
K. DUNN
F. A. GODFREY
*D. W. KNIGHT
J. D. KRANE
G. P. MITCHELL
*J. R. SMITH

*Members of Audit Committee.

Transfer Agent and Registrar

CROWN TRUST COMPANY
302 Bay Street, Toronto
393 St. James St. W., Montreal

Auditors

CLARKSON, GORDON & Co.
Toronto

Annual and General Meeting

Elizabeth Room,
King Edward Sheraton Hotel,
Toronto
June 29, 1976
11:00 a.m.
(Toronto Time)

REPORT OF THE DIRECTORS

TO THE SHAREHOLDERS:

We hereby submit the financial statements of your Company for the year ended December 31, 1975 and the Auditors' Report thereon.

No exploration work was carried out on the property during the year. However, the Corporation's properties located in Dubuissou Township, Province of Quebec, were maintained in good standing and the plant and equipment located on the property are being kept on a care and maintenance basis.

Management does not consider further work on the property justified at the prevailing price of gold.

On Behalf of the Board,

J. R. SMITH,
President.

Toronto, Ontario,
June 3, 1976.

AUDITORS' REPORT

To the Shareholders of
Kiena Gold Mines Limited:

We have examined the balance sheet of Kiena Gold Mines Limited as at December 31, 1975 and the statements of deferred exploration, development, and other expenditures and changes in financial position for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the company as at December 31, 1975 and the results of its operations and the changes in its financial position for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada,
February 23, 1976.

CLARKSON, GORDON & Co.
Chartered Accountants

KIENA GOLD MINES LIMITED

(Incorporated under the laws of Ontario)

BALANCE SHEET — DECEMBER 31, 1975

ASSETS

	1975	1974
Current assets:		
Cash and temporary investments, at cost, which approximates market value	\$ 11,606	\$ 13,625
Accrued interest receivable	15	160
	<u>11,621</u>	<u>13,785</u>
Fixed assets (note 1):		
Buildings, machinery and equipment, at cost	143,298	143,298
Mining claims and properties, at cost	329,332	329,332
	<u>472,630</u>	<u>472,630</u>
Other:		
Deferred exploration, development, and other expenditures (notes 1 and 2)	3,081,587	3,056,119
Deposit for electric power	12,529	12,562
	<u>3,094,116</u>	<u>3,068,681</u>
	<u>\$3,578,367</u>	<u>\$3,555,096</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Current liabilities:		
Accounts payable	\$ 1,202	\$ 3,456
Long-term liabilities:		
Due to parent company, Falconbridge Nickel Mines Limited (note 3) ..	78,312	52,787
6% income debentures, due December 31, 1977-1978 (note 4)	250,000	250,000
	<u>328,312</u>	<u>302,787</u>
Shareholders' equity:		
Share capital (note 4) —		
Authorized:		
2,500,000 6% non-voting preference shares with a par value of \$1 each (cumulative until December 31, 1968), redeemable at par		
5,000,000 common shares of no par value		
Issued:		
2,467,459 preference shares	2,467,459	2,467,459
4,876,848 common shares	895,786	895,786
	<u>3,363,245</u>	<u>3,363,245</u>
Deficit (unchanged during the year)	114,392	114,392
	<u>3,248,853</u>	<u>3,248,853</u>
	<u>\$3,578,367</u>	<u>\$3,555,096</u>

On behalf of the Board:

J. R. SMITH, Director
G. P. MITCHELL, Director

(See notes to financial statements)

KIENA GOLD MINES LIMITED

STATEMENT OF DEFERRED EXPLORATION, DEVELOPMENT AND OTHER EXPENDITURES

For the year ended December 31, 1975

	1975	1974
Balance, beginning of year	\$3,056,119	\$3,031,190
Expenditures during the year:		
General expense at the property	12,012	13,005
Administrative and corporate expenses	14,165	12,431
	26,177	25,436
Deduct: Interest income	709	507
	25,468	24,929
Balance, end of year	\$3,081,587	\$3,056,119

STATEMENT OF CHANGES IN FINANCIAL POSITION

For the year ended December 31, 1975

	1975	1974
Sources of working capital:		
Interest income	\$ 709	\$ 507
Refund of deposit	33	35
Advance from Falconbridge Nickel Mines Limited	25,525	52,787
	26,267	53,329
Application of working capital:		
Deferred exploration, development and other expenditures	26,177	25,436
Increase in working capital during the year	90	27,893
Working capital (deficiency), beginning of year	10,329	(17,564)
Working capital, end of year	\$ 10,419	\$ 10,329

(See notes to financial statements)

NOTES TO FINANCIAL STATEMENTS

December 31, 1975

- The company has not conducted mining operations in recent years, principally because the prices for gold could not support an economic operation of the property. Depreciation has not been provided during the year as it is management's policy to only provide depreciation on all plant and equipment in use. The company is continually reviewing the feasibility of bringing the property into production, but has postponed any decision to reopen the mine pending stabilization of gold prices and further analyses of possible production alternatives.
- Exploration, development and other expenditures amounting to \$3,081,587 at December 31, 1975 have been deferred with the intention that they should be amortized by charges against income from future mining operations. The recovery of these costs and the carrying value of mining claims is dependent, therefore, upon the obtaining of adequate financing, the development of an economic mining operation and the marketing of production. Exploration, development and other expenditures include a total of \$2,411,180 in respect of which the tax benefits are claimable by other companies.
- The advance from Falconbridge Nickel Mines Limited has been classified as long-term debt as Falconbridge has agreed not to call for repayment prior to December 31, 1976.
- The principal amounts outstanding on the income debentures at December 31, 1975 are as follows:

December 31, 1977	\$ 150,000
December 31, 1978	100,000
	<u>\$ 250,000</u>

At December 31, 1965 arrears of dividends on the preference shares amounted to \$163,796 and interest on income debentures which is cumulative but payable only out of profits, amounted to \$38,605. All of these securities are owned by Falconbridge Nickel Mines Limited and that company has agreed to waive its rights to receive the benefit of any further accruals of interest or dividends on these securities, after December 31, 1965 until a decision has been reached to place the company's property in production or to reorganize its capital. All preference shares outstanding must be redeemed before any dividends are paid on the common shares.

- Remuneration of senior officers (as defined under The Business Corporations Act 1970, Ontario) amounted to \$5,670 in 1975 (\$4,947 in 1974). Directors' fees amounted to \$3,500 in 1975 (\$3,500 in 1974).